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Reports and Testimony: September 1992

Highlights

Strategic Defense Initiative

The Strategic Defense Initiative Organization overstated several flight test achievements of experimental antimissile interceptors, including an early experimental version of "Brilliant Pebbles." Page 35.

NASA

NASA's largest programs are contributing to an increasing bow wave of future funding needs that may consume nearly all of the space agency's potential appropriation to the detriment of other essential activities. Page 47.

Energy Policy

External costs of gasoline consumption, such as pollution and increased dependence on foreign oil, are not reflected in the price consumers pay. GAO analyzed policy options to address these costs, including possible taxes, surcharges, and financial incentives, to determine their impact on such objectives as economic growth, environmental policy, and energy security. Page 10.

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Special Publications

Perceived Barriers to Effective Information Resources Management: Results of GAO Panel Discussions

GAO/IMTEC-92-67, Sept. 1992 (17 pages).

How information resources—hardware, software, data, and people—are acquired and managed is critical to nearly every government program, from exploring space to collecting taxes to sending out social security checks. If federal agencies are to make sound decisions about a host of government programs, they need accurate, complete, and reliable information. Effective information resources management can play a key role in this process. Although the dollar investment in federal information resources management is substantial—at least \$20 billion a year—results have been uneven. To discover why so little progress has been made, GAO sought the opinions of experts in government and private industry. GAO held a series of panel discussions during the summer and fall of 1991 on the barriers to effective federal information resources management. This publication presents the results of these panel discussions and highlights the obstacles discussed.

Agriculture and Food

Food Safety and Quality: USDA Improves Inspection Program for Canadian Meat, But Some Concerns Remain

GAO/RCED-92-250, Aug. 26 (29 pages).

The law requires that imported meats be produced under inspection systems that are at least equivalent to that of the United States. In addition to being wholesome and unadulterated, the products must be properly marked, labeled, and packaged. The U.S. Department of Agriculture (USDA) is responsible for determining whether foreign inspection systems equal the U.S. one and for inspecting imported meats at ports of entry to ensure their integrity. In response to concerns about how USDA certifies the wholesomeness of imported Canadian meat, GAO (1) reviewed USDA efforts to document that Canada's meat inspection system is equivalent to that of the United States, (2) analyzed inspection and rejection data for U.S. and Canadian meat crossing the border, and (3) suggests alternative measures to strengthen USDA's import inspection procedures for Canadian meat.

**Sustainable Agriculture:
Program Management, Accomplishments, and Opportunities**

GAO/RCED-92-233, Sept. 16 (45 pages).

A combination of environmental and economic pressures caused by increased global competition and the escalating price of agrichemicals has spurred the federal government, farmers, and the agriculture industry to seek more globally competitive, profitable, and ecologically sound ways to produce food and fiber. This movement to alternative farming methods is called sustainable agriculture. Although the U.S. Department of Agriculture (USDA) has several programs to encourage sustainable agriculture, the responsibility for these programs is fragmented among various USDA officials, with no single entity overseeing and coordinating these activities. Because USDA lacks a policy that would provide direction on sustainable agriculture, program goals often conflict with one another and program coordination varies. In addition to discussing sustainable agriculture efforts in general, GAO specifically examines USDA's Sustainable Agriculture Research and Education Program and makes recommendations to improve these programs.

Budget and Spending

Testimony

Budget Process: Use and Impact of Rescission Procedures, by Harry S. Havens, Assistant Comptroller General, before the Subcommittee on Legislative Process, House Committee on Rules. GAO/T-OCG-92-5, Sept. 25 (15 pages).

Since enactment of the Impoundment Control Act of 1974, all presidents have proposed rescissions—permanent cancellation of budget authority. GAO testified that the experience of the last 19 years shows that presidents have used the rescission process, as intended, to advance their own priorities in spending cuts. But Congress has also increasingly used rescissions to express its own view of changing priorities. As Congress has come to embrace an equivalent or greater amount of reductions as proposed by presidents, the debate has shifted from deciding whether to cut to deciding where to cut. Given the relatively small influence rescissions can have on the budget totals and deficits of today's magnitude, rescissions cannot be expected to serve as a significant deficit

reduction or spending limitation tool. Rather, they can more appropriately be viewed as a way for the President and Congress to debate and resolve their differences on cutting specific programs. Proposals to change this process should be viewed in the context of their effect on the relative balance of power in this debate. For example, enhanced rescission authority would significantly strengthen the President's hand, which could very well change the outcome of that debate.

Business, Industry, and Consumers

Agency for International Development: The Minority Shipping Program Is Constrained by Program Requirements

GAO/NSIAD-92-304, Sept. 1 (10 pages).

Section 8(a) of the Small Business Act encourages federal agencies to procure goods and services from small and disadvantaged businesses as much as possible. In reviewing how the Agency for International Development (AID) awarded contracts to ship food aid, GAO found that AID's criteria restricted the type of shipping contracts available to 8(a) firms. However, in 1990, out of 29 cases GAO reviewed, nine were offered to 8(a) firms but, for reasons beyond AID's control, only one resulted in a contract. A tenth contract was unnecessarily excluded because a U.S.-flag vessel was unavailable, but AID has changed its requirements to allow 8(a) firms to use foreign-flag vessels under certain conditions. AID's 8(a) shipping program has not produced any viable entities nor is it likely to because shipments are made on short notice with little opportunity to enter into any long-term commitments. Since 1986, only five firms have participated, and only two firms have remained in the shipping business. AID's revised procedures have added two required calculations—fair market price and the percentage of contract personnel costs that must be paid to employees of 8(a) firms. Although these requirements comply with applicable laws and regulations, they will be hard for 8(a) firms to meet.

Export Promotion: Problems in the Small Business Administration's Programs

GAO/GGD-92-77, Sept. 2 (18 pages).

The Small Business Administration (SBA) spent about \$3.7 million on export promotion programs in fiscal year 1991. Most of SBA's export promotion assistance is delivered through 21 subcenters of its Small

Business Development Center program. These subcenters specialize in providing international trade assistance. GAO found that SBA has neither consistently emphasized export promotion nor fully determined its role in the federal effort to boost exports. SBA's export counseling lacks a strategic focus and, as a result, could be targeting the same clients that the Commerce Department is trying to serve. A 1990 law restricting SBA's ability to impose any new rules or regulations on its Small Business Development Center program makes it hard for SBA to better target its export counseling. Moreover, SBA's main export finance promotion program has been little used, and the agency may be overstating the extent to which its other finance programs help small businesses export. Also, SBA's ability to provide export promotion assistance beyond basic outreach and referral is hindered by the agency's domestic orientation and management structure.

Testimony

Insurer Failures: Regulators Failed to Respond in Timely and Forceful Manner in Four Large Life Insurer Failures, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-GGD-92-43, Sept. 9 (44 pages).

GAO testified on the failures of four large insurance companies—Executive Life, its subsidiary Executive Life of New York, First Capital, and Fidelity Bankers—and the role that state solvency regulation in these cases. These insurers have more than 900,000 policies with policyholders and annuitants in every state. GAO notes that the reckless growth and investment pursued by the four firms involved questionable business practices. They were heavily invested in poor-quality assets and relied on phony surplus relief reinsurance and infusions of cash from their parent companies to mask their financial distress. Without the surplus relief reinsurance and borrowed surplus, the two Executive Life insurers would have been insolvent in the early 1980s, while First Capital and Fidelity Bankers would have been on the verge of collapse. Despite untimely, incomplete, and inaccurate information, state regulators were aware of the troubled condition of the four insurers well before the companies were taken over but did not forcefully step in to stop the financial deterioration of the companies or minimize their losses. In GAO's view, state insurance regulators clearly should have been more aggressive in forcing the Executive Life companies to correct internal control and other weaknesses evident throughout the 1980s. State regulators moved to take over the insurers only after the companies were plagued by policyholder

runs. Ironically, these steps were meant to protect the firms from their policyholders, rather than vice versa.

Small Business: Federal Agencies' Contracting Goals for Women-Owned Businesses, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the House Committee on Small Business. GAO/T-RCED-92-95, Sept. 17 (14 pages).

As part of the federal effort to provide contracts to women-owned small businesses, the Small Business Administration (SBA) negotiates with executive branch agencies to set fiscal year contracting goals for such businesses. The goals—expressed as a percentage of the dollar value of each agency's total estimated procurement for the fiscal year—are nonbinding targets. GAO testified that the vast majority of agencies have contracting goals, which should result in 1.2 to 1.4 percent of the value of prime contracts being awarded to women-owned firms. Furthermore, in fiscal year 1990, 14 of the 17 major procurement agencies met or exceeded their goals.

Civil Rights

Age Employment Discrimination: EEOC's Investigation of Charges Under 1967 Law

GAO/HRD-92-82, Sept. 4 (22 pages).

People who believe that they are victims of age discrimination can file charges with the Equal Employment Opportunity Commission (EEOC). The Age Discrimination in Employment Act of 1967 required that lawsuits in federal court be filed within two years of the alleged violations. During the 1980s, however, sizable numbers of suits filed in federal court lapsed. The government had not finished investigating these charges even though two years had passed since the alleged violations took place. Congress, concerned about the lapse problem, deleted the two-year limitation in 1991. Charging parties' rights to file private lawsuits now expire 90 days after receiving notice that EEOC has completed action on the charge. This report responds to several questions from Members of Congress about how EEOC investigates employment discrimination charges.

Education

Intercollegiate Athletics: Compensation Varies for Selected Personnel in Athletic Departments

GAO/HRD-92-121, Aug. 19 (64 pages).

The National Collegiate Athletic Association (NCAA) had revenues of \$152.5 million for fiscal year 1991, most of which came from television fees. Its largest expense was the distribution of revenue to member schools. NCAA's larger member schools' athletic departments averaged \$9.7 million in revenues during fiscal year 1989—although 40 percent of the schools reported budget deficits. The schools' largest revenue source was ticket sales (35 percent), and salaries and wages were their largest expense (23 percent). Across division I schools, only men held the positions of athletic director, head football coach, and head coach for men's basketball, except in one case in which a woman was the athletic director. Women were more typically the head of women's athletic programs and head coach for women's basketball. Except for personnel GAO surveyed at historically black schools, athletic department positions were filled mostly by nonminorities at the other division I schools. Average compensation varied for the personnel in the five selected athletic department positions. Head football coaches had the highest average total compensation—nearly \$115,000—while head coaches for women's basketball had the lowest—about \$45,000.

Parent and Supplemental Student Loans: Volume and Default Trends for Fiscal Years 1989 to 1991

GAO/HRD-92-138FS, Sept. 22 (16 pages).

This fact sheet provides information on the Federal Parent Loans for Undergraduate Students and the Federal Supplemental Loans for Students programs. Under the former, parents with dependents who are students may borrow up to \$4,000 per year, to a maximum of \$20,000. Loans under the latter program are made to independent students (generally those responsible for their own financial support) and are subject to the same loan limits. Eligible borrowers can obtain either type of loan in addition to, or in lieu of, other available federal financial aid, such as Federal Stafford Loans. GAO discusses the (1) volume of loans made to students attending and to parents of students attending proprietary (trade) schools and other postsecondary education institutions, (2) extent of borrowing by parents

of freshmen or by freshmen students as compared to such borrowing for students in later years of schooling, and (3) amount of defaulted loans.

**Compensatory Education:
Most Chapter 1 Funds in Eight Districts Used for Classroom
Services**

GAO/HRD-92-136FS, Sept. 30 (16 pages).

This fact sheet provides information on how eight school districts in four states use funds for compensatory education under Chapter 1 of the Elementary and Secondary Education Act of 1965. In fiscal year 1991, Chapter 1 gave about \$5.5 billion to states and districts to provide supplemental educational services for students who are educationally disadvantaged. GAO found that an average of nearly three out of four Chapter 1 dollars went to classroom services during the 1990-91 school year. Most of these funds went for salaries and expenses for supplemental teachers and teacher aides.

Employment

**Dislocated Workers:
Comparison of Assistance Programs**

GAO/HRD-92-153BR, Sept. 10 (38 pages).

This briefing report provides information on services available to dislocated workers under the Trade Adjustment Assistance (TAA) and the Economic Dislocation and Worker Adjustment Assistance (EDWAA) programs. This topic is particularly timely because the North American Free Trade Agreement has fueled concerns about further job losses and about the government's role in helping workers make a smooth transition to new employment. GAO found it difficult to gather basic information on both programs because the Department of Labor does not keep comprehensive, reliable information on program implementation and results. Despite such limitations, GAO found enough information to identify several significant differences between the two programs in the three states it visited—Michigan, New Jersey, and Texas. TAA served a larger proportion of harder-to-place persons and TAA participants received more income support and were more likely to enter longer-term training. Both programs were slow to provide training and neither had comprehensive data on how participants fared after completing the programs. Both programs provided classroom training, but EDWAA supplemented this with

on-the-job training. In addition, local areas differed widely in how much they coordinated TAA and EDWAA services. Although officials at the state level coordinated with one another, they and local officials acknowledged that little coordination exists between program staff in many local areas. GAO summarized this report in testimony before Congress; see:

Dislocated Workers: Comparison of Programs, by Linda G. Morra, Director of Education and Employment Issues, before the Senate Committee on Finance. GAO/T-HRD-92-57, Sept. 10 (seven pages).

**Minimum Wages and Overtime Pay:
Change in Statute of Limitations Would Better Protect Employees**

GAO/HRD-92-144, Sept. 22 (41 pages).

Employees' claims for back wages under the Fair Labor Standards Act would be better protected if the statute of limitations stopped running—or "tolled"—at an earlier point. Although the Department of Labor claims that employees seldom lose back pay as a result of their claims expiring under the statute of limitations, the Food Lion case illustrates how an employer's liability for back wages can be reduced because of the running of the statute of limitations. Despite complaints by employees of the supermarket chain in August 1984 about unpaid overtime, the government did not start investigating these allegations until February 1986 and did not obtain a waiver of the statute of limitations for the initial period investigated. As a result, three former Food Lion workers lost nearly \$12,000 in back wages. In GAO's view, changing the statute of limitations for the Fair Labor Standards Act so that it begins running when an employee files a complaint with Labor would afford the same protection for claimants as in some other labor laws. The clock on the statute of limitations now continues to tick during the time it takes Labor to begin an investigation, complete it, negotiate with an employer, and obtain payment—a process that can take months. To protect employees who Labor determines are owed back wages but have not filed complaints, GAO believes that the statute of limitations should begin running as of the date that Labor notifies the employer that it will be starting an investigation. GAO summarized this report in testimony before Congress; see:

Minimum Wages and Overtime Pay: Change in Statute of Limitations Would Better Protect Employees, by Clarence C. Crawford, Associate Director for Education and Employment Issues, before the Subcommittee

on Employment and Housing, House Committee on Government Operations. GAO/T-HRD-92-59, Sept. 22 (13 pages).

Energy

Energy Policy: Options to Reduce Environmental and Other Costs of Gasoline Consumption

GAO/RCED-92-260, Sept. 17 (51 pages).

GAO evaluated six policy options—a higher gas tax, a tax on tail pipe emissions, subsidies for alternative fuels, higher fuel economy standards for new vehicles, surcharges for cars that are less fuel efficient and pollute more, and financial rewards for people who voluntarily scrap older vehicles—to determine their effect on the economy, the environment, traffic congestion, and other issues. These policy options can be modified or combined to more effectively reduce gasoline consumption and air pollution from cars and light trucks and to meet other important policy objectives. Options that send consumers clear market signals, such as higher gasoline or tail pipe taxes, could help ensure that the costs of gasoline use in these vehicles are visible and fully considered by consumers when they buy, maintain, drive, and trade in vehicles. These options could also increase the demand for more fuel-efficient and alternatively fueled vehicles. Relying on just one option to meet multiple and sometimes conflicting policy objectives, however, could be difficult and costly. This, in turn, could reduce the chance that any policies will be adopted. An eclectic strategy incorporating the best designs of individual policy options seems desirable. GAO summarized this report in testimony before Congress; see:

Energy Policy: Options to Reduce Environmental and Other Costs of Gasoline Consumption, by Victor S. Rezendes, Director of Energy and Science Issues, before the Subcommittee on Environment, House Committee on Science, Space, and Technology. GAO/T-RCED-92-94, Sept. 17 (12 pages).

Nuclear Health and Safety: Mortality Study of Atmospheric Nuclear Test Participants Is Flawed

GAO/RCED-92-182, Aug. 10 (24 pages).

A 1979 report from the Centers for Disease Control (CDC) suggested that the incidence of leukemia among servicemen who had participated in atmospheric nuclear tests in the 1950s may have been seriously underestimated. In response, the Defense Nuclear Agency commissioned the National Academy of Sciences to study how low-level radiation affected participants in other atmospheric tests. The Academy's 1985 report concluded that the death rate from cancer in the five tests reviewed was generally less than that which would be expected in the general population. New information developed by the Defense Nuclear Agency in 1989, however, raised doubts about the validity of the Academy study. GAO provides information on the actions or omissions by the federal government in connection with the 1985 National Academy of Science report. GAO discusses (1) the accuracy of the data supplied to the Academy, (2) when and how inaccuracies in the data were discovered, (3) when and how the inaccuracies occurred, and (4) what actions have been taken to correct the data and update the 1985 mortality study.

Nuclear Materials:
Plutonium Processing in the Nuclear Weapons Complex

GAO/RCED-92-109FS, Aug. 20 (37 pages).

This fact sheet describes the methods and facilities that the Department of Energy (DOE) uses to process plutonium for use in nuclear weapons. Plutonium is not found in nature and has to be artificially produced. DOE no longer manufactures new plutonium, however. Instead, it processes and recycles the plutonium from retired nuclear weapons and the plutonium that remains as scrap or residue from plutonium processing. In summary, DOE recovers plutonium in two main ways—aqueous and pyrochemical—at four processing sites. Due to environmental and safety concerns and cuts in the numbers of nuclear weapons, only the Los Alamos processing facility is now up and running.

Department of Energy:
Status of Reporting Compliance for DOE's Major System Acquisitions

GAO/RCED-92-204FS, Aug. 24 (19 pages).

This fact sheet provides information on the Department of Energy's (DOE) compliance with documentation and reporting requirements for its Major System Acquisitions, which are defined as projects critical to fulfilling an

agency's mission. GAO looks at whether certain key documents for each Major System Acquisition have been approved by senior DOE management. These documents include a mission needs statement, a project plan, and an independent cost estimate. Approval of these documents is required before or at the start of a project, which begins upon the completion of the conceptual design.

**Nuclear Materials:
Removing Plutonium Residues From Rocky Flats Will Be Difficult
and Costly**

GAO/RCED-92-219, Sept. 4 (28 pages).

The Department of Energy's (DOE) Rocky Flats Plant, near Denver, Colorado, processed plutonium for nuclear weapons for nearly 40 years. Plutonium residues, a by-product of this activity, have been accumulating at the plant and DOE now faces removing this material. The plant's latest inventory records for lean residues (materials with relatively low amounts of plutonium) show that 97,000 kilograms of solid residues and 14,000 liters of liquid residues—together containing about 2,900 kilograms of plutonium—are stored at the plant. To clean up Rocky Flats, DOE will have to remove these residues, a difficult task because the residues contain combustible materials and other characteristics that preclude shipping. DOE has not yet decided how it will eliminate the residue backlog at Rocky Flats. The agency is considering three basic alternatives—processing the residues to separate out the plutonium, shipping them to other facilities for processing, or disposing of them as wastes.

**Natural Gas Pipelines:
Greater Use of Instrumented Inspection Technology Can Improve
Safety**

GAO/RCED-92-237, Sept. 28 (47 pages).

The Department of Transportation is responsible for ensuring the safety of about 267,000 miles of interstate natural gas pipelines. The use of an instrumented internal inspection device known as a "smart pig" is the only way to detect internal and external corrosion without excavating the pipe. Pipeline corrosion is the second leading cause of pipeline accidents after accidental excavation damage. Smart pigs can also spot other flaws, such as gouges and dents, that weaken a pipe's structural integrity. Smart pigs have their limits, however. They cannot detect defects like longitudinal

cracks and metal loss in pipe welds, and some pipelines with sharp bends and other configurations cannot accommodate smart pigs. Even so, this technology has the potential to greatly reduce pipeline accidents. No federal regulations governing smart pigs or the frequency of smart pig inspections are on the books. Because corrosion can lead to ruptures and leakages in aging pipelines—problems that smart pigs can avert—GAO urges DOT to complete the feasibility study and regulations mandated under the law.

Testimony

Nuclear Weapons Complex: Issues Surrounding Consolidating Los Alamos and Lawrence Livermore National Laboratories, by Victor S. Rezendes, Director of Energy and Science Issues, before the House Committee on Science, Space, and Technology. GAO/T-RCED-92-98, Sept. 24 (31 pages).

This testimony focuses on the Department of Energy's (DOE) nuclear weapons laboratories. GAO discusses three main issues: (1) the research, development, and testing capabilities of the Los Alamos and Lawrence Livermore National Laboratories; (2) recent trends in staffing and funding at DOE's weapons laboratories; and (3) the options identified by the laboratories and DOE for consolidating the Los Alamos and Livermore research, development, and testing programs.

Environmental Protection

Testimony

Superfund: EPA Needs to Better Focus Cleanup Technology Development, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation. GAO/T-RCED-92-92, Sept. 15 (28 pages).

The Environmental Protection Agency (EPA) is encouraging government and industry to develop innovative technologies to help clean up the thousands of hazardous waste sites scattered across the country. Available treatment technologies are often expensive, ineffective, and unacceptable to the public. GAO testified that EPA programs have clearly increased development and selection of innovative technologies for the cleanup of Superfund hazardous waste sites. These technologies, however, are still

unable to clean up many kinds of sites reliably and cost effectively. More time will be needed to allow cleanup technology to catch up with Superfund program expectations. GAO believes that without a clear sense of existing site conditions and the cost and efficacy of current technologies to address these site conditions, EPA cannot effectively direct developers to help meet these needs.

Financial Institutions

Resolution Trust Corporation: Survey Results on RTC's Communication and Real Estate Marketing

GAO/GGD-92-134BR, Sept. 24 (51 pages).

Due to concerns that the Resolution Trust Corporation (RTC) was unresponsive to the public's requests for information on its real estate holdings, GAO surveyed RTC staff as well as members of the Society of Industrial and Office Realtors (SIOR). RTC staff said that they had taken steps to establish good working relations with the private sector, including hiring people with real estate backgrounds and establishing outreach programs—broker/investor seminars, direct mailings, and booths at trade fairs—to assist parties interested in buying RTC properties. The SIOR respondents, however, indicated that RTC staff were unfamiliar with local markets and were not prompt either in providing information or in responding to offers. The respondents also had mixed views on RTC's property management efforts, with about half indicating that RTC was slower or much slower in selling real estate than others in the market. SIOR respondents did not care for some of RTC's marketing tools, such as the computerized inventory system. Instead, they preferred traditional methods, such as newspaper advertising, the Multiple Listing Service, and direct mailings. Because about 90 percent of RTC's remaining real estate inventory consists of commercial assets and land, which SIOR members have expertise in selling, RTC needs to be aware of these realtors' concerns.

Securities Investor Protection: The Regulatory Framework Has Minimized SIPC's Losses

GAO/GGD-92-109, Sept. 28 (101 pages).

Congress created the Securities Investor Protection Corporation (SIPC) in 1970 after many customers lost money when they were unable to obtain their cash and securities from failed broker-dealers. SIPC is intended to

bolster public confidence by ensuring that when securities firms go under, customers receive the cash and securities owed them up to a limit of \$500,000 per individual. So far, SIPC has successfully protected consumers while at the same time limiting its losses. Complacency regarding SIPC's continuing success, however, is ill advised because securities markets have grown more complex and the SIPC liquidation of a major firm could seriously disrupt the financial system. Rather, vigilant industry oversight and enforcement of the net capital and customer protection rules are demanded of the Securities and Exchange Commission and the self-regulatory organizations. This report discusses (1) the exposure and adequacy of the SIPC fund, (2) the effectiveness of SIPC's liquidation oversight efforts, and (3) the disclosure of SIPC protections to customers.

**Resolution Trust Corporation:
Affordable Multifamily Housing Program Has Improved But More
Can Be Done**

GAO/GGD-92-137, Sept. 29 (42 pages).

The Resolution Trust Corporation's sales of affordable apartments for middle-income to very poor families have been slow, but an upswing in activity has been apparent since the authorization of special treatment for public agencies and nonprofit groups. RTC reported that as of June 1992 it had completed sales on 184—or 21 percent—of the 744 affordable multifamily properties it had put on the market and that offers had been accepted on another 84 properties. In contrast, RTC reported completed sales on only 17 percent of its inventory four months earlier. RTC has finally come to terms with competing mandated goals and has put together a solid program for multifamily housing that includes special financial assistance for nonprofit organizations and public agencies. In the past, RTC field offices' ad hoc approach to marketing and sales resulted in sales that may have excluded eligible buyers and allowed qualified housing units to pass through the affordable housing program without being sold. RTC's new corporatewide program policies and procedures, if properly implemented, should resolve such problems. RTC's policies and practices on bulk and individual property sales, however, are inconsistent with relevant statutory provisions.

**Resolution Trust Corporation:
More Actions Needed to Improve Single-Family Affordable Housing
Program**

GAO/GGD-92-136, Sept. 29 (16 pages).

Since the Resolution Trust Corporation's (RTC) affordable housing program started up in 1990, the policies and procedures governing its operations have been evolving. Procedures are now in place that address most of the weaknesses GAO observed during its audit, although there is still room for improvement. RTC reported selling considerable numbers of single-family homes to eligible buyers under the program, yet it lacked adequate internal controls to ensure that purchasers were eligible to buy properties or that they complied with the program's occupancy requirements. RTC issued a new directive in June 1992 to ensure that buyers are eligible to participate in the program, but GAO believes that further steps should be taken to ensure buyer compliance with occupancy requirements. Because RTC's real estate management information system was limited, RTC offices developed their own reporting systems that often produced incomplete or unreliable data, thereby hindering RTC's ability to evaluate the program's effectiveness and accurately report to Congress on its status. Program officials know about these problems and are taking steps to overcome them.

**Financial
Management**

**OMB's High Risk Program:
Benefits Found But Greater Oversight Needed**

GAO/AFMD-92-63, Aug. 6 (31 pages).

In 1989 the Office of Management and Budget (OMB), in coordination with federal agencies, identified 106 areas in which the government was at high risk for waste, fraud, and abuse. OMB's program to strengthen federal management in these high risk areas has provided top-level government officials with a much needed focus for correcting deficiencies. Further, reporting the status of agency accomplishments in each high risk area in the President's budget will help ensure continued high visibility and attention to correcting existing problems. Although most information presented in the budget appears reasonable and accurate, the progress reported in several areas is misleading or overly optimistic. Furthermore, the budget does not disclose the existence of continuing material weaknesses in some high risk areas deleted from the list. No OMB staff

work solely on the program and OMB's Management Integrity Branch, which directs the program's day-to-day operations, often rotates its staff among high risk areas. Because of these staff changes, documenting key events and agreements becomes critical to track and evaluate agency progress in correcting program shortcomings. GAO discovered, however, that records of meetings and agreements with agency officials and OMB evaluation of agency-provided information were often unavailable.

**Financial Management:
Weak Financial Accounting Controls Leave Commodity Command
Assets Vulnerable to Misuse**

GAO/AFMD-92-61, Sept. 4 (24 pages).

As part of its comprehensive review of the U.S. Army's financial systems and operations, GAO evaluated the Army commodity commands' internal accounting controls. GAO discovered that the commodity commands did not effectively control and report on billions of dollars in assets for which they were responsible, nor did they accurately track and monitor billions of dollars in government-owned materials and equipment that had been furnished to contractors. The Army has continued to have a problem with large amounts of negative unliquidated obligations that occur when expended appropriations exceed recorded obligations for contractors or other purchases. GAO also noted a major problem at the commodity commands' disbursing offices where blank checks and check-signing machines were not secured, were accessible to anyone in the disbursing office, and were thereby vulnerable to misuse.

**Treasury Tax and Loan Accounts:
Changes in Collateral Practices Could Reduce the Government's
Risk of Loss**

GAO/AFMD-92-54, Sept. 14 (48 pages).

The Department of the Treasury collects most of the government's tax revenue through special accounts at nearly 14,000 financial institutions across the country. During fiscal year 1991, the Treasury collected more than \$875 billion through these accounts. Recent failures of banks and savings and loans have underscored the need to secure these accounts with enough collateral to protect the government from major losses. GAO recommends several steps to improve Federal Reserve Bank review, valuation, and monitoring practices. These actions should include (1)

accepting depositories' securities before review only when prudent and warranted, (2) rejecting undocumented collateral, and (3) doing comprehensive monthly collateral assessments. GAO also recommends that the Treasury revise its prescribed account collateral valuation method to better emphasize the risk associated with the collateral.

Financial Audit:

House Child Care Center Financial Statements for the Years Ending 8-31-91 and 8-31-90

GAO/AFMD-92-88, Sept. 18 (15 pages).

GAO audited the balance sheets of the child care center at the U.S. House of Representatives for fiscal years 1990 and 1991 and the related statements of revenues, expenses, and fund balance and cash flows for those years. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the child care center and the results of its operations and cash flows.

Financial Management:

DOT's Accounting and Financial Information System Can Be Improved

GAO/RCED/AFMD-92-238, Sept. 22 (22 pages).

The Department of Transportation's budget for fiscal year 1992 totaled more than \$36 billion, funding everything from mass transit grants to contracts for air-traffic control upgrades. For the last eight years, DOT has been developing a single accounting and financial information system to keep track of these funds. This system was intended to (1) consolidate numerous inefficient accounting systems into a single departmentwide system, (2) correct existing accounting weaknesses related to disbursing payments and collecting debts, and (3) provide managers and Congress with better information to oversee programs and operations. The schedule for installing the system has already slipped two years, and cost estimates have soared from \$17.6 million to \$26.4 million. Although DOT has made progress in achieving the system's first two goals, the third goal of providing better management information remains elusive.

Government Operations

State Department: Need to Ensure Recovery of Overseas Medical Expenses

GAO/NSIAD-92-277, Aug. 7 (seven pages).

The State Department may not be recovering medical insurance benefits sent to insured employers and their families for medical expenses already paid for by the government. The three embassies GAO visited lack adequate procedures, and the State Department has no centralized accounting and monitoring systems to track overseas medical expenses to ensure that claims are filed by insured employees and dependents, reimbursements are received from insurers, and recoverable expenses are remitted to the government. As a result, the government may be losing large amounts of money.

Postal Procurement: Eagle Air Hub Selection Not in Accordance With Solicitation

GAO/GGD-92-127, Aug. 12 (25 pages).

The U.S. Postal Service (USPS) announced in October 1991 that it had chosen Indianapolis as the permanent hub for its Eagle Air Network, which sorts and ships express and priority mail for about 30 cities around the country. This competitive procurement generated 14 offers from airports in Illinois, Indiana, Kentucky, and Ohio. Although USPS' criteria for selecting a permanent site for its Eagle Air Hub were valid and credible, its scoring plan did not reflect the importance placed on delivery time and move-in date. In addition, the USPS selection committee did not properly consider all the award factors in the selection decision because it compared the technical scores and proposed costs of only the top two technical proposals rather than all of the seven proposals deemed competitive. GAO concludes that USPS does not really know if it awarded the contract to the best offer. GAO does not dispute that Indianapolis was one of the top technical competitors and might have won anyway if the solicitation requirements had been followed. Because of deficiencies in the cost estimates and the selection process, however, GAO was unable to determine which competitor would have won had the evaluation been consistent with the solicitation. GAO did find that USPS disallowed the bid protest of the award without satisfactorily resolving a key issue being protested—that the scoring plan did not follow the solicitation's stated evaluation criteria. GAO summarized this report in testimony before Congress; see:

Postal Service: Express Mail Hub Contract Award Was Flawed, by L. Nye Stevens, Director of Government Business Operations Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-92-70, Sept. 24 (six pages).

**National Science Foundation:
Planned Relocation to Arlington**

GAO/GGD-92-143BR, Sept. 17 (66 pages).

GAO believes that the choice of Arlington, Virginia, as the site for the National Science Foundation's new headquarters will allow the Foundation to fulfill its role in national science policy. Although the new building is located outside downtown Washington, D.C., this site (1) will allow employees who are now scattered among several locations to consolidate in one building; (2) will provide superior working conditions; (3) will be convenient to other government offices and libraries throughout the city via an adjacent subway stop; and (4) is surrounded by many amenities, including a hotel, shops, and restaurants. In GAO's view, the General Services Administration and the Foundation followed a reasonable and systematic approach in choosing the Arlington building, which is about \$9 less per square foot than alternatives in the District of Columbia—a savings to the government of \$81 million over the course of a 20-year lease. The Foundation contends that it cannot move to Arlington because Congress has not appropriated its \$16 million relocation expense request for fiscal year 1993, a move GAO believes that Congress should make.

**Real Property Dispositions:
Flexibility Afforded Agencies to Meet Disposition Objectives
Varies**

GAO/GGD-92-144FS, Sept. 18 (48 pages).

GAO reported in September 1991 (GAO/GGD-91-139FS) that the federal government employed a fragmented approach to managing and disposing of assets targeted for disposition. At that time, GAO indicated that federal agencies had assets—financial, real property, and personal property—valued in excess of \$190 billion awaiting disposition. These assets included everything from property acquired from failed savings and loans to items seized from drug dealers. This fact sheet provides updated information on the various disposition objectives, legislative mandates,

and policy requirements affecting real property dispositions within the federal government.

**DOT Headquarters:
Unclear Whether Union Station Site Is the Best Location**

GAO/GGD-92-126, Sept. 24 (28 pages).

GAO is unconvinced that constructing a headquarters building for the Department of Transportation (DOT) using air rights over the railroad tracks directly behind Union Station in Washington, D.C., is the best solution to DOT's needs. The executive branch is unclear about whether the headquarters should be located at the Union Station site or the Federal Triangle Building. Neither option will fully consolidate the agency, and DOT has not shown a need for full consolidation. After determining the extent to which DOT needs to be consolidated, the General Services Administration (GSA) and DOT must decide where to meet that requirement—in the District of Columbia, the metropolitan Washington area, or possibly a combination of locations. Although initial studies suggest that the air rights site may be less environmentally harmful than other alternatives, building on that location may prove complicated. GAO also believes that GSA's estimate of the building's cost on the air rights site may be high. Furthermore, unless GSA and DOT solicit space for land, they cannot be sure that all possible sites in the District have been considered.

Health

**Medicare:
One Scheme Illustrates Vulnerabilities to Fraud**

GAO/HRD-92-76, Aug. 26 (22 pages).

Health care fraud and abuse has added billions to the nation's tab for medical expenses. This report focuses on one insurance fraud scheme that investigators say may be the most massive case of health care fraud ever uncovered, one that came to involve hundreds of doctors, several medical laboratories, and an estimated \$1 billion in phony claims to health insurers. Known as the "rolling labs" scheme, the scam worked as follows: Vans were driven to nursing homes, health clubs, and even church parking lots where a battery of tests of questionable medical value—everything from blood flow analysis to ultrasounds of the abdominal cavity—were offered to all comers. Patients were literally scared up through telephone calls or letters warning them about the dangers of undetected health

problems and urging them to undergo free physicals. To justify the tests and obtain Medicare payments, the operators used doctors who often would simply make up fictitious diagnoses. The rolling labs also solicited kickbacks or "referral fees" from other laboratories for referring patient specimens to them for more testing. This report reviews Medicare's involvement in the rolling labs operation. GAO assesses the extent of false claims paid by the Medicare program, the success of Medicare's efforts to recover these monies, and the program's vulnerabilities to similar fraudulent activities.

Cancer Treatment:

Actions Taken to More Fully Utilize the Bark of Pacific Yews on Federal Land

GAO/RCED-92-231, Aug. 31 (nine pages).

The Pacific yew, source of the anticancer drug Taxol, grows primarily in Pacific Northwest forests managed by the U.S. government. In fiscal year 1991, neither the Forest Service nor the Bureau of Land Management had effective timber sale administrative procedures or utilization standards. As a result, some usable yew bark went uncollected that year. In fiscal year 1992, both agencies in conjunction with Bristol-Myers Squibb Co. and its yew bark collectors have worked to ensure more complete utilization of yew bark. If properly implemented, the agencies' fiscal year 1992 program plans and associated operational procedures should help ensure that more of this limited and valuable resource is recovered.

AIDS:

CDC's Investigation of HIV Transmissions by a Dentist

GAO/PEMD-92-31, Sept. 29 (50 pages).

After investigating HIV infection among five patients of a Florida dentist, the Centers for Disease Control (CDC) concluded that these individuals were probably exposed to the AIDS virus during invasive dental procedures, although the exact mode of transmission is still unclear. This report examines CDC's handling of this matter. Although GAO identified minor problems, CDC's investigation as a whole was found to have been both thorough and competent. The evidence GAO reviewed supports CDC's conclusions. That the mode of transmission remains unknown means that the case provides little insight into how to prevent similar episodes in the future.

Testimony

State Health Care Reform: Federal Requirements Influence State Reforms, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Senate Committee on Finance. GAO/T-HRD-92-55, Sept. 9 (19 pages).

This testimony summarizes a June 1992 report (GAO/HRD-92-70) discussing the leadership role that states have assumed in expanding access to health insurance and containing health care costs. State approaches range from narrowly focused efforts to reform the health insurance market or control hospital costs to comprehensive initiatives to bring about universal access to health insurance. States attempting comprehensive solutions are hampered by federal program requirements, particularly Medicaid, and by the Employee Retirement Income Security Act of 1974, which preempts state regulation of employee benefit plans, including health plans provided by self-insured employers. GAO discusses state reform plans, including those in Hawaii, Minnesota, and Florida, that have been affected by federal laws. Congress may want to consider reducing the potential barriers to comprehensive state reform. Congress could spur state reform efforts by assuring the states that they will receive the federal cooperation necessary to implement change.

Health Insurance: Medicare and Private Payers Are Vulnerable to Fraud and Abuse, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-92-56, Sept. 10 (15 pages).

Health insurance fraud and abuse contribute to the upward health care cost spiral confronting the United States. Only a fraction of the fraud and abuse committed against the health care system is identified and prosecuted, although that which has been detected has involved considerable sums. This waste is particularly alarming because the portion of the nation's wealth spent on health care continues to increase. Certain steps need to be taken to minimize these losses. GAO believes that the Health Care Financing Administration (HCFA) must strengthen its oversight of Medicare contractor operations. To monitor and direct contractor actions, HCFA may need to develop better information systems, more focused performance measures, and stronger contractor guidance. Unless contractors are sure that the government is committed to improving safeguard efforts, they have little incentive to do these resource-intensive activities—from investigating beneficiary complaints to reducing backlogs of identified overpayments. Consequently, GAO continues to support modifying the budget process to better enable appropriate funding for

Medicare program safeguard activities. GAO also believes that Congress should consider setting up a national health care fraud commission composed of private and public payers, providers, and law enforcement agencies. Such a commission would be in a good position to consider the conflicting legal and administrative objectives confronting the health insurance industry's struggle against fraud and abuse.

Medicare: HCFA Monitoring of the Quality of Part B Claims Processing, by Robert L. York, Director of Program Evaluation in Human Services Areas, before the Subcommittee on Health and Long-Term Care, House Select Committee on Aging. GAO/T-PEMD-92-14, Sept. 23 (11 pages).

Are private insurance carriers that process Medicare claims inappropriately denying, underpaying, or overpaying beneficiaries' claims? The Health Care Financing Administration (HCFA) uses two methods to assess how well private insurance carriers process Medicare claims: the Quality Assurance Program and the Contractor Performance Evaluation Program. Although the former measures the reliability of claims processing, it does not examine the validity of the criteria used to evaluate the accuracy of claims processing. Furthermore, the payment/deductible error rate is not a direct measure of underpayment because the rate combines three types of errors—underpayment, overpayment, and misapplied deductible payments. The criteria used to calculate Contractor Performance Evaluation Program scores include the amount of payment errors. The scores could be more complete, however, by adding a measure of the number of processing errors, including the inaccurate determination of medical necessity and appropriateness.

Housing

Rental Housing: Additional Information on Our Casas' Use of HUD's Grant Funds

GAO/RCED-92-249FS, Aug. 24 (32 pages).

In a March 1992 report (GAO/RCED-92-132FS), GAO discussed how Our Casas—a nonprofit resident management council in San Antonio, Texas—spent Housing and Urban Development (HUD) grants meant to encourage resident management in public housing projects. This fact sheet provides supplemental information on Our Casas' use of grant funds. GAO discusses (1) Our Casas' organizational structure and tenant representation, (2) HUD's award of a technical assistance grant to Our Casas and HUD's monitoring of the council's progress toward implementing

resident management, (3) Our Casas' expenditure of grant funds, (4) additional costs related to the grant, (5) Our Casas' choice of a public housing management specialist, and (6) Our Casas' grant accomplishments. GAO also discusses areas in which Our Casas' efforts to move toward resident management seem to have been hampered by a lack of cooperation with the San Antonio Housing Authority.

Homelessness:

HUD Improperly Restricts Applicants for Supplemental Assistance

GAO/RCED-92-200, Aug. 13 (36 pages).

The Department of Housing and Urban Development (HUD) has no authority to decree that only states may apply for certain grants to aid the homeless, a step HUD took last year after having earlier awarded grants to cities, countries, tribes, and nonprofit groups. The Supplemental Assistance for Facilities to Assist the Homeless program was created in 1987 as a competitive grant program to (1) supplement two other McKinney Act programs and (2) fund comprehensive, innovative programs that meet the immediate and long-term needs of homeless individuals and families. Since the program was established five years ago, HUD has awarded grants totaling \$37.5 million, making it HUD's smallest assistance program for the homeless. Beginning in fiscal year 1991, only states were eligible to apply for program grants. Although HUD's intent was to use limited program funds more effectively, GAO does not believe that the agency had the authority to limit eligibility. Recent HUD initiatives, if properly implemented, should lead to more effective and efficient program management. Furthermore, grantees from fiscal year 1987 are meeting the objectives outlined in their grant applications, and the target populations stipulated by Congress are being served.

Homelessness:

Single Room Occupancy Program Achieves Goals, but HUD Can Increase Impact

GAO/RCED-92-215, Aug. 27 (59 pages).

During a 25-year period beginning in 1960, the United States lost about 1 million rooms housing single individuals—about half of the nation's total supply. Single persons now make up the bulk of America's homeless. In 1987, Congress created the Section 8 Moderate Rehabilitation Program for Single Room Occupancy Dwellings for Homeless Individuals. This report

looks at whether the program is meeting its goals of creating adequate housing and delivering support services to the single homeless for as long as needed. GAO also discusses (1) how the Department of Housing and Urban Development oversees projects in development and reviews their financial feasibility and (2) regulations requiring the use of tenant waiting lists developed by local public housing agencies.

Income Security

Social Security: Reporting and Processing of Death Information Should Be Improved

GAO/HRD-92-88, Sept. 4 (18 pages).

Prompt receipt and processing of information about dead beneficiaries by the Social Security Administration (SSA) is crucial to preventing SSA overpayments. SSA's death information is also valuable to other federal agencies in preventing millions of dollars in overpayments to deceased beneficiaries. This report discusses (1) how long it takes family members, states, and others to report deaths to SSA; (2) how long it takes SSA to stop payments once a death is reported; and (3) whether delays in reporting and processing death notices prevents SSA from recovering erroneous payments from the Department of the Treasury in a timely manner. GAO also discusses ways to improve the timeliness of death information reported to SSA.

Testimony

Social Security: Racial Differences in Disability Decisions, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Oversight of Government Management, Senate Committee on Government Affairs. GAO/T-HRD-92-41, Sept. 22 (12 pages).

In the Social Security Disability Insurance and Supplemental Security Income (SSI) programs, the percentage of black applicants allowed disability benefits is lower than the percentage of white applicants. GAO analyzed applicants for benefits under the two programs and found that except for young SSI applicants, 80 percent of the racial differences in allowance rates at the initial decision level could be explained by factors other than race. Blacks had lower allowance rates mainly because they applied more often with less severe impairments and they had demographic characteristics associated with lower allowance rates,

regardless of race. In the appeals decisions of administrative law judges, however, the racial differences were both larger and harder to explain than at the initial decision level. Despite the lower allowance rate among blacks applying for benefits, the only subgroup in which blacks actually may be receiving benefits at lower rates than whites is severely disabled people aged 18 to 24. Otherwise, blacks received benefits at rates equal to or higher than those of whites. GAO recommends that the Social Security Administration (SSA) further investigate the reasons for the racial differences in the initial decisions for young SSI applicants, as well as for all administrative law judge decisions. GAO also suggests that SSA review the evaluation of cases involving impairments, such as mental problems and respiratory orders, that showed relatively large racial differences in allowance rates.

Pension Plans: Benefits Lost When Plans Terminate, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-HRD-92-58, Sept. 24 (nine pages).

Some pension plan participants lose benefits and the ability to qualify for potential future benefits when plans terminate, especially if the plans are underfunded. Despite federal insurance protection, participants in underfunded plans risk losing promised benefits. This testimony discusses the types of benefits participants lose and why.

Improving the Financial Condition of the Pension Benefit Guaranty Corporation, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Private Retirement Plans and Oversight of the Internal Revenue Service, Senate Committee on Finance. GAO/T-HRD-92-60, Sept. 25 (10 pages).

The Pension Benefit Guaranty Corporation's (PBGC) huge deficit has ballooned significantly in recent years and is expected to grow even larger. Fueling this deficit are underfunded pension plans that continue to terminate. At present, PBGC has enough cash flow to pay its current benefit obligations, but this may not always be the case. Now is the time for serious deliberations on how to improve funding in underfunded plans to cut PBGC's risk from future terminations. Pending legislation to improve funding in underfunded plans could significantly reduce PBGC's deficit over the long run. Underfunded plans not only threaten PBGC, they also pose a risk to plan participants. Because PBGC does not guarantee all pension benefits, some participants may lose benefits upon plan termination. PBGC

has been burdened not only by its current deficit and looming potential claims, but also by significant internal operations problems. GAO has never been able to give an opinion on PBGC's financial statements because of these serious internal control and systems weaknesses. These problems suggest that PBGC needs to put more emphasis on its operations.

Information Management

FTS 2000 Overhead: GSA Should Reassess Contract Requirements and Improve Efficiency

GAO/IMTEC-92-59, Aug. 3 (18 pages).

In 1988 the General Services Administration (GSA) awarded the Federal Telecommunications System (FTS) 2000 contracts to two vendors—AT&T and U.S. Sprint—to provide state-of-the-art telecommunications services to federal agencies. GSA's oversight costs for the program, which totaled more than \$53 million in fiscal year 1991, are billed to the agencies in the form of an overhead charge. The direct costs of GSA's oversight of the program account for nearly two-thirds—about \$34 million—of the total overhead. GAO questions the worth of some of the management and oversight duties demanded of GSA in the FTS 2000 contracts. For instance, GSA is required—at an annual cost of more than \$4 million for facilities and more than \$16 million for personnel—to run separate service oversight centers for each vendor. Consolidating these centers could slash operating and personnel costs. Additionally, GSA monitors network operations—a function that vendors essentially do already. In its upcoming management review of the FTS 2000 program, GSA has an opportunity to revisit the original program requirements and decide their present validity. GSA could also reduce overhead costs by streamlining some operations. For example, GSA's contract for reporting service trouble, which adds \$1 million annually to the program overhead tab, may be unnecessary because the FTS 2000 vendors can provide the same service. Lastly, GSA's processing of vendor bills is inefficient and has led to unnecessary billing disputes.

Child Support Enforcement: Timely Action Needed to Correct System Development Problems

GAO/IMTEC-92-46, Aug. 13 (28 pages).

To bolster their child support enforcement programs, the states are developing automated systems to (1) locate parents who are shirking child

support responsibilities, (2) establish paternity, (3) obtain court orders for child support payments, and (4) collect these amounts from parents. Although the federal government is expected to spend about \$860 million during the next several years to help states automate child support systems, the Department of Health and Human Services' (HHS) oversight of these state efforts has fallen short. Timely corrective action on known problems is critical in developing well-designed automated systems to expedite child support payments. HHS has not, however, pushed for needed changes on seriously flawed systems in some states. As a result, development of three severely deficient systems continued for up to eight years at a cost to the federal government of more than \$32 million. HHS officials failed to intervene, citing state responsibility for system development. Regardless of who has primary development responsibility, GAO notes that HHS is required to assess states' development efforts and suspend funding if states deviate from approved plans. Another problem is that HHS' systems division is not required to act on the results of office of audit reports, which often detect problems with automated systems.

Computer Security:

DEA Is Not Adequately Protecting Sensitive Drug Enforcement Data

GAO/TMTEC-92-83, Sept. 22 (38 pages).

The Drug Enforcement Administration's (DEA) lack of an effective computer security program has led to serious fundamental weaknesses that jeopardize the integrity of its computer systems and the highly sensitive data they contain. This information includes the names of drug dealers and informants, intelligence on drug trafficking organizations, and details on counternarcotics operations. Personnel at DEA headquarters and field offices routinely process sensitive data on computers that lack basic security controls, such as passwords and audit trails. When passwords have been used, DEA employees have shared them and, in a few cases, left them taped to computer terminals. DEA personnel often leave computers containing sensitive information unattended and turned on, and floppy disks and other documents containing sensitive drug information are sometimes left unattended in open, unprotected areas. This situation is even more unsettling given DEA's lax controls over access to areas where computers process sensitive data. For example, janitors who had incomplete or unfavorable background investigations were allowed to work unescorted around the computers. In one case, a contractor's employee had a criminal record that included an arrest for drug possession. GAO also found cases in which DEA administration personnel

and non-DEA contractor personnel looked up sensitive information about their friends and acquaintances in the DEA computer system. GAO summarized this report in testimony before Congress; see:

Computer Security: DEA's Handling of Sensitive Drug Enforcement and National Security Information Is Inadequate, by Howard G. Rhile, Director of General Government Information Systems Issues, before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations. GAO/T-IMTEC-92-24, Sept. 30 (five pages).

**Department of Energy:
Better Information Resources Management Needed to Accomplish
Missions**

GAO/IMTEC-92-53, Sept. 29 (62 pages).

Although the Department of Energy (DOE) relies heavily on information in dealing with everything from massive environmental damage to unsafe nuclear weapons facilities, staff throughout the agency are not always receiving the information they need. This situation could increase the likelihood that the public will be unnecessarily exposed to dangerous contaminants; the safety and health of workers will not be adequately protected; outdated weapons components will continue to be manufactured and discarded; and facilities, secrets, and employees will not be adequately protected from threats. In addition, DOE is wasting money developing and running information systems that overlap or duplicate existing systems. These problems exist because DOE has not (1) implemented a strategic information resources management (IRM) planning process that focuses information resource investments on achieving strategic mission objectives and (2) exercised adequate management control to ensure that IRM activities are conducted in accordance with the law. Underlying DOE's ineffective IRM planning and management control is a lack of top management attention to managing information.

**Information Resources Management:
Initial Steps Taken But More Improvements Needed in AID's
IRM Program**

GAO/IMTEC-92-64, Sept. 29 (56 pages).

The Agency for International Development (AID) depends on information to sustain its operations and programs in more than 70 developing nations around the globe. The agency also needs information to fulfill a variety of internal and external reporting requirements and to evaluate program performance. Although AID has tried to improve its strategic information resources management (IRM) program, its overall IRM approach remains largely unfocused. AID has yet to develop an agency business plan; the senior official for IRM lacks authority to carry out the IRM program agencywide; and AID lacks the program management framework—policies, structures, structured planning process, controls, training, and budget priority—essential to support an effective IRM program. The agency therefore has no guarantee that initiatives to correct longstanding IRM shortcomings will be implemented or complied with agencywide. AID is just beginning to shift its focus from obtaining information technology, with little control or standardization of data or systems agencywide, to managing information as a corporate resource. Until this change is complete, there are no assurances that identified information requirements are directing information technology acquisitions and problems with inefficient and unintegrated systems will persist.

**ADP Procurement:
Prompt Navy Action Can Reduce Risks to SNAP III Implementation**

GAO/IMTEC-92-69, Sept. 29 (11 pages).

This report presents GAO's assessment of the Navy's efforts to upgrade its Shipboard NonTactical ADP Program (SNAP). GAO selected this acquisition, known as SNAP III, because of its large life-cycle cost, estimated at about \$600 million, and because it is in an early stage in the procurement cycle, where corrections are easier and cheaper to make. GAO found that the Navy is not providing enough managerial oversight to minimize SNAP III risks. This has resulted in incompatible systems, which require different hardware and software to perform similar functions, being installed aboard ships. Continued implementation of incompatible systems is contrary to the Navy's goal of an integrated environment for all shipboard nontactical systems. A single authority over developing and funding all shipboard nontactical programs is needed to ensure that all ongoing and planned efforts support this goal. Furthermore, the Navy lacks a strategic information resources management (IRM) plan for SNAP III implementation. Without a plan specifying standards for hardware, software, and system interfaces, all efforts to integrate the shipboard environment will be highly vulnerable to schedule delays, cost overruns, and poor performance. The

lack of a strategic IRM plan also means that the Navy has no way of knowing whether continued installation of the old systems on new ships is justified.

International Affairs

East European Energy: Romania's Energy Needs Persist

GAO/NSIAD-92-257, Aug. 4 (54 pages).

Modernization of Romania's energy sector and increased production are crucial if that country is to achieve market reforms and reinvigorate its economy. Because the changing energy economies of Romania and other East European countries may open up new markets for Western energy technologies, this report provides information on (1) trends and problems linked to Romania's energy production and imports, (2) Romania's energy needs and the steps being taken or planned to address them, (3) factors that discourage U.S. trade with and investment in Romania's energy sector, and (4) U.S. government and international efforts to develop Romania's energy sector.

Ukraine Energy: Conditions Affecting U.S. Trade and Investment

GAO/GGD-92-129, Aug. 18 (10 pages).

The recent collapse of the Soviet Union brought independence to Ukraine. In making the transition to a market economy, however, Ukraine has been plagued by energy shortages due to declining oil, gas, and coal production in the region. At the same time, several of Ukraine's nuclear reactors were built using the Chernobyl model and may have to be shut down. This report provides information on (1) trends and problems related to Ukraine's energy imports and production, (2) Ukraine's energy needs and steps being taken or planned to address them, (3) factors that discourage U.S. trade with and investment in Ukraine's energy sector, and (4) U.S. government efforts to assist in developing Ukraine's energy sector.

Overseas Staffing: Embassies in the Former Soviet Union

GAO/NSIAD-92-306, Aug. 31 (11 pages).

In 1991 and 1992, the State Department opened embassies in 14 former Soviet republics. This report examines actions taken by the Departments of State and Commerce and other agencies to staff these new embassies. GAO discusses (1) planned and actual embassy staffing, (2) U.S. officials' views on the amount of staffing available to represent U.S. business interests, and (3) the actions other countries have taken to promote their business interests.

**United Nations:
U.S. Participation in Peacekeeping Operations**

GAO/NSIAD-92-247, Sept. 9 (70 pages).

Peacekeeping operations, with an annual tab of nearly \$2.5 billion, are among the most important and costly activities undertaken by the United Nations. The U.N. Security Council authorizes proposed peacekeeping efforts, while the General Assembly reviews and approves the operations' budgets. Most of the financial backing for these operations has come from the five permanent members of the Security Council. With the growing number and cost of these operations, however, the United States is shouldering a major financial burden at a time when other countries' ability to pay has increased. As the main overseer of U.S. participation in U.N. peacekeeping operations, the State Department is responsible for ensuring that U.S. funds are well spent. State has not, however, done field-level monitoring of the economy and efficiency of these operations. During visits to peacekeeping locations, GAO found opportunities to cut costs and improve efficiency. U.N. requests for Defense Department (DOD) assistance have expanded, but the Pentagon's procedures for providing, controlling, and reporting this assistance are far from up-to-date. Some regional and international groups have peacekeeping roles that complement U.N. efforts, but the use of these organizations has both advantages and disadvantages.

**Aid to El Salvador:
Slow Progress in Developing a National Civilian Police**

GAO/NSIAD-92-338, Sept. 22 (10 pages).

A peace agreement signed in January 1992 by the government of El Salvador and opposition forces halted 12 years of civil war. To support the peace process, the United States pledged \$20 million to help establish a new police force and a police academy. This report discusses (1) whether

the U.S. aid for the police development is consistent with the provisions of the peace agreement, (2) the progress made in establishing the police force and police academy, and (3) the financial status of the police development effort.

**Foreign Assistance:
Promising Approach to Judicial Reform in Columbia**

GAO/NSIAD-92-269, Sept. 24 (22 pages).

As part of a broader GAO review of U.S. assistance to bring about judicial reform abroad, this report focuses on U.S. efforts to improve Columbia's judicial system. GAO has already issued reports on U.S. efforts to improve the judicial systems in El Salvador and Panama. GAO discusses (1) the approach the United States used to manage its judicial reform assistance to Columbia and (2) the program activities undertaken and planned by the host government and the United States in this reform effort.

**Marshall Islands:
Status of the Nuclear Claims Trust Fund**

GAO/NSIAD-92-229, Sept. 25 (62 pages).

Between 1946 and 1958, the United States detonated 66 nuclear warheads on two unpopulated Pacific atolls—Bikini and Enewetak—in the Marshall Islands. Changing wind patterns in 1954, however, spread deadly radioactive fallout from one of the first hydrogen bomb tests to two inhabited atolls. The United States later set up a \$150 million trust fund to compensate Marshall Islanders for damage to their health and land. This report discusses whether the trust fund (1) is being distributed as required and (2) is adequate to meet the distribution requirements. GAO also provides information on the status of several related assistance programs and scientific surveys.

**Justice and Law
Enforcement**

**Drug Control:
Oversight Needed to Prevent Acquisition of Unnecessary
Equipment**

GAO/NSIAD-92-260, July 30 (13 pages).

The three agencies responsible for intercepting drugs en route to the United States—the Defense Department, the U.S. Customs Service, and the U.S. Coast Guard—each identify their own requirements and establish their own acquisition plans for drug detection and monitoring equipment. No umbrella organization routinely oversees acquisitions to ensure that they respond to valid needs and that wasteful duplication is avoided. Interagency coordination has been a major focus of interdiction efforts, but the emphasis to date has been on coordinating operations, not acquisitions. Although the Office of National Drug Control Policy oversees budget requests and coordinates operations of the interdiction agencies, a similar process has not been established to routinely oversee and coordinate acquisition of detection and monitoring equipment.

Customs Service:
Trade Enforcement Activities Impaired by Management Problems

GAO/GGD-92-123, Sept. 24 (158 pages).

Beset by a host of management problems, the U.S. Customs Service is falling short in combatting unfair foreign trade practices and protecting the American public from unsafe goods. Customs is detecting only a fraction of the estimated violations in imported cargo and lacks information crucial to collecting applicable duties and penalizing violators of the trade laws. These shortcomings are traceable to fundamental management problems at Customs, including weaknesses in mission planning, information management, human resources management, performance measurement, and organizational structure. Collectively, these problems threaten Customs' move to wide-scale automation of import processing.

**National Defense,
Security, and Military
Procurement**

Strategic Defense Initiative:
Some Claims Overstated for Early Flight Tests of Interceptors

GAO/NSIAD-92-282, Sept. 8 (42 pages).

The Strategic Defense Initiative program is developing three types of kinetic kill interceptors intended to destroy incoming missiles by colliding with them head-on at speeds of up to 30,000 miles an hour. Brilliant Pebbles, a space-based interceptor, would be the first line of defense. Next, a ground-based interceptor would zero in on targets above the earth's atmosphere. Finally, a different ground-based interceptor would

attack targets after they have reentered the earth's atmosphere. From January 1990 through March 1992, the Strategic Defense Initiative Organization (SDIO) conducted seven flight tests of early experimental versions. SDIO claimed that five of the seven flight tests were successes and the other two were failures. GAO concludes that SDIO inaccurately described some results of four of the seven tests.

**Defense Printing Service:
Relocation of the Southeast Area Headquarters**

GAO/NSIAD-92-290, Aug. 11 (six pages).

An April 1992 memorandum, signed by the Defense Printing Service's Executive Director, said that the Southeast Area headquarters could be shifted from Charleston, South Carolina, to Norfolk, Virginia, because most of the Southeast Area's facilities, work load, and customers are found in Virginia. In another document, the Defense Printing Service's Management Office said that the relocation would save about \$30,000 annually in travel expenses to Norfolk. The Management Office, however, could not provide GAO with data supporting its decision. In particular, it could not justify its conclusion that the Southeast Area headquarters personnel could do their jobs better if they moved to Norfolk. The Management Office also had not done a cost analysis to see whether the relocation would yield savings. Without analysis of these issues, there is no way of knowing whether the relocation will produce more efficient and cost-effective operations.

**Defense Inventory:
Procurement Transactions During Operations Desert Shield and Storm**

GAO/NSIAD-92-268, Aug. 19 (10 pages).

The Pentagon's procurement of supplies and equipment during a three-year period encompassing the Persian Gulf war were relatively stable. Procurements rose during fiscal year 1991 but did not reach the peak level of two years earlier. Defense Department procurements for supply and equipment items fell from \$73.1 billion in fiscal year 1989 to \$71.7 billion in fiscal year 1990 and rose again to \$73 billion in fiscal year 1991. From fiscal years 1990 to 1991, procurements by the Army, Air Force, and Defense Logistics Agency increased 6.6, 4.4, and 24.7 percent respectively; Navy procurements declined 12.2 percent. Overall

procurements increased \$1.3 billion, or two percent, during this period and were spread over most federal supply class categories. Commodities with significant increases included motor vehicles, electrical and electronic equipment, fuels, lubricants and oils, subsistence, and clothing and individual equipment.

Military Bases:

Navy's Planned Consolidation of RDT&E Activities

GAO/NSIAD-92-316, Aug. 20 (nine pages).

The conference report on the Defense Department's fiscal year 1982 Appropriations Act requires GAO to review the Pentagon's plans to consolidate its defense research and development laboratories. This interim report, which provides information on the Navy section cited in the conference report, addresses cost and savings data; personnel assumption; duplication of research among the services; and research, development, testing and evaluation relative to the force structure. GAO compares selected costs and savings estimates for the Navy laboratory consolidation plan submitted to the 1991 Base Closure and Realignment Commission in April 1991 to the costs and savings contained in the fiscal year 1993 budget estimates sent to Congress in January 1992.

Intelligence Programs:

New RC-135 Aircraft Engines Can Reduce Cost and Improve Performance

GAO/NSIAD-92-305, Aug. 25 (seven pages).

This report provides information on the replacement of engines for the military's fleet of 21 RC-135 aircraft, which are used for intelligence missions around the globe. Dating to the 1960s, the RC-135 fleet still uses the original engines, which are increasingly unreliable and costly to maintain. GAO discusses (1) the estimated cost to replace the FC-135 aircraft's engines, (2) the projected savings in operation and maintenance costs by replacing the engines, and (3) the operational benefits arising from engine replacement.

**Operation Desert Storm:
War Offers Important Insights Into Army and Marine Corps
Training Needs**

GAO/NSIAD-92-240, Aug. 25 (45 pages).

When Iraq invaded Kuwait in August 1990, many U.S. military officials considered American ground forces to be in top form. Yet the results of earlier training exercises suggested that these soldiers, in fact, needed further combat preparation. This report examines the (1) focus of preparatory training for Operation Desert Storm ground operations, (2) factors leading to the great success in command and control of maneuver forces, and (3) implications for future peacetime training.

**Contract Maintenance:
Improvement Needed in Air Force Management of Interim
Contractor Support**

GAO/NSIAD-92-233, Aug. 26 (17 pages).

The Air Force, like the Army and the Navy, supplements its in-house maintenance capability through contractor support. Temporary support, known as interim contractor support, is used when the Air Force has decided to eventually maintain the materiel in-house—that is, in government facilities with government personnel. Thus, interim contractor support is temporary maintenance and logistics support that a contractor provides until the items can be supported at operating bases and maintenance depots by government personnel. In response to congressional concerns about rising interim contractor support costs and related management and funding problems, GAO evaluated the Air Force's interim contractor support program and costs to (1) identify factors contributing to the costs, (2) examine Air Force interim contractor support planning and management for certain weapon systems, and (3) assess Air Force and Department of Defense initiatives to improve interim contractor support management and to limit costs.

**Operation Desert Storm:
War Highlights Need to Address Problem of Nondeployable
Personnel**

GAO/NSIAD-92-208, Aug. 31 (41 pages).

Many active and reserve personnel were unable to deploy for Operations Desert Shield and Storm, but a lack of data make it impossible to gauge accurately the total number. The causes of nondeployability ranged from incomplete training to varying medical conditions or personal problems. Although the Pentagon claims that nondeployables were not a serious problem because the services were able to call up other personnel, available data do suggest that the number of nondeployables was sizable. The data also indicate that nondeployability problems were aggravated by systemic weaknesses in the peacetime screening of active and reserve personnel and inadequate reporting of nondeployables as part of normal readiness reporting. Steps must be taken to minimize future recurrences, particularly when there will be few active and reserve forces from which to tailor and substitute personnel to meet force requirements.

**Unmanned Aerial Vehicles:
More Testing Needed Before Production of Short-Range System**

GAO/NSIAD-92-311, Sept. 4 (13 pages).

GAO's evaluation of the Short-Range Unmanned Aerial Vehicle program—a \$2.7 billion effort to produce pilotless aircraft for use in surveillance and other activities—revealed that the aircraft has not shown its readiness for production. Yet the Pentagon, contrary to earlier plans for operational testing before limited production, now expects production after only limited testing that does not adequately assess the performance of several critical systems. Moreover, the testing was done under unrealistic conditions; although the aircraft will need to fly over heavily forested and mountainous areas, the testing took place in the Arizona desert. In addition, the criteria used to evaluate the aircraft's performance are inadequate. As a result, the Defense Department may be committing itself to producing a largely unproven system.

**Navy Torpedo Program:
MK-48 ADCAP Propulsion System Upgrade Not Needed**

GAO/NSIAD-92-191, Sept. 10 (17 pages).

The upgrade of the Navy's MK-48 Advanced Capability (ADCAP) torpedo propulsion system to reduce noise levels is unnecessary. Having announced in January 1992 that the existing torpedo system will meet the needs of the SSN-21 Seawolf, the latest generation nuclear attack submarine, the Navy now plans to use the upgrade on other submarines.

The higher noise levels of these submarines, however, could limit the upgrade's usefulness. The upgrade is not intended to nor will it satisfy the Navy's torpedo noise reduction requirements, nor will it significantly contribute to the technology necessary to meet those goals. In addition, the Navy has ongoing research in alternative noise reduction technologies that can be used to develop future propulsion systems.

**Javelin Antitank Weapon:
Quantity and Identification Capability Need to Be Reassessed**

GAO/NSIAD-92-330, Sept. 14 (12 pages).

The Army is developing the Javelin as a portable, hand-held missile launcher that troops can use on the battlefield to destroy enemy tanks. Since June 1989, cost estimates for producing and fielding the Javelin have soared by about 57 percent to \$11.9 billion and development of the weapon is now substantially behind schedule. This report examines (1) the causes for cost increases and schedule delays and whether more cost and schedule slippages are likely, (2) whether the Army has reassessed the number of Javelin's that are needed based on current threat assessments, and (3) whether there is a requirement for the Javelin to better distinguish between friend and foe when firing.

**Military Airlift:
Greater Use of Peacetime Airlift Cargo Capacity Would Reduce Costs**

GAO/NSIAD-92-263, Sept. 16 (10 pages).

The Air Force's cargo aircraft flying regular overseas missions during peacetime continue to operate at substantially less than capacity. The Air Force estimates that in fiscal year 1992 the aircraft will fly these routes at an average of about 64 percent full. At the same time, the Pentagon still sends large amounts of lower priority cargo by commercial transportation at great expense. If military air terminals used already existing cargo backlog reports and separated lower priority from high priority cargo, the Defense Department (DOD) could better coordinate cargo with airlift and increase the use of available cargo capacity. This strategy would slash DOD's commercial transportation bills by at least \$21 million each year.

**Military Education:
Actions on Recommendations Involving Institute for National
Strategic Studies and Capstone**

GAO/NSIAD-92-280, Sept. 16 (12 pages).

The Panel on Military Education recommended that the National Defense University at Fort McNair in Washington, D.C., establish a National Center for Strategic Studies and revise the Capstone General/Flag Officer Course curriculum and length. Although the University has yet to establish a National Center for Strategic Studies, the functions for such a center are being carried out by several University groups—the National War College, the Institute for National Strategic Studies, and the Institute for Higher Defense Studies. The revised Capstone curriculum reflects a greater emphasis on strategy, but the course length remains six weeks. Capstone officials said that six weeks is optimal in meeting course objectives and curriculum development needs. Capstone is now run by the Institute of Higher Defense Studies, which is being reorganized. Therefore, the eventual placement of Capstone has yet to be determined. University officials support closer interaction between Capstone and the Institute for National Strategic Studies.

**Defense Procurement Fraud:
Information on Plea Agreements and Settlements**

GAO/GGD-92-135FS, Sept. 17 (14 pages).

As part of a February 1990 plea bargain agreement, the Northrop Corporation plead guilty to procurement fraud charges in exchange for dropping other criminal investigations pending against the company in California. Part of the plea agreement was sealed from the public, and both the Central District of California and Northrop agreed not to issue a press release or make any public statements on the U.S. Attorney's decision to decline prosecution in the pending investigations. This fact sheet contains information on procurement fraud cases resulting in a criminal conviction or civil settlement that the Justice Department brought against the 100 companies receiving the largest Defense Department contracts in 1991. For each case, GAO provides the (1) name of the contractor, (2) judicial district, (3) case type, (4) case disposition, (5) disposition date, and (6) amount of any monetary award to the government. GAO also obtained information on the Justice Department's

policy on sealing the plea agreements and settlements of defense procurement fraud cases from the public.

**1993 Air Force Budget:
Potential Reduction for C-17 Initial Spares**

GAO/NSIAD-92-293, Sept. 18 (15 pages).

The Air Force's fiscal year 1993 budget request for spare parts for the C-17 military transport plane—totaling more than \$179 million—is unneeded because (1) program cuts and schedule delays have significantly changed initial spare parts requirements, (2) the Douglas Aircraft Company already has enough spare parts on hand to fill orders for at least two years, and (3) other available funding for C-17 spare parts should cover any very long lead time spares needed before fiscal year 1994 funding is available. Further, the Air Force is canceling purchase orders for C-17 initial spare parts because of the change in program quantities and delayed production deliveries. It is also canceling funds for those purchases. These funds were part of the fiscal year 1990 aircraft procurement appropriation and may no longer be needed.

**1993 Army Budget:
Potential Reductions to Tracked and Wheeled Vehicle Programs**

GAO/NSIAD-92-313BR, Sept. 21 (six pages).

GAO reviewed the Army's justification for its fiscal year 1993 budget requests for its tracked and wheeled vehicle programs and identified potential budget reductions and a potential rescission totaling \$192.2 million. This amount includes reductions of \$161.1 million in fiscal year 1993 and a rescission of \$31.1 million in fiscal year 1992. These potential savings are possible because (1) a program change reduced the Line-of-Sight Antitank weapon's funding requirement and (2) funding for an increment of the Family of Medium Tactical Vehicles acquisition program is not needed until after fiscal year 1993.

**Operation Desert Storm:
Data Does Not Exist to Conclusively Say How Well Patriot
Performed**

GAO/NSIAD-92-340, Sept. 22 (12 pages).

The U.S. armed forces relied heavily on the Patriot missile to intercept incoming Iraqi Scud missiles during the Persian Gulf war. Because the Army did not collect performance data, however, it is impossible to know with any precision how well the Patriot did in hitting battlefield targets during Operation Desert Storm. About nine percent of Patriot launches produced strong evidence, such as disabled Scuds embedded with Patriot fragments, that the target was destroyed. Another 16 percent of the engagements produced less convincing evidence of success, such as radar tracking data showing that the Patriots came close to the Scuds. This evidence does not prove, however, that the Patriots either destroyed or diverted the Scuds.

**Government Contracting:
Proposed Regulation Would Limit DOD's Ability to Review IR&D/B&P Program**

GAO/NSIAD-92-265, Sept. 24 (10 pages).

The Defense Contract Audit Agency (DCAA) no longer plans to prepare an annual financial report on Independent Research and Development/Bid and Proposal (IR&D/B&P) programs. The proposed change to DOD regulations is vague on the specific type of financial data needed to ensure that IR&D/B&P expenditures remain within affordable levels. Without the statistical data found in earlier DCAA annual reports, the Pentagon will have little assurance that the program is being implemented as intended, objectives are being met, policies are being followed, and resources are being effectively used. Administrative costs are not likely to be significantly reduced as intended by recent legislation for two reasons: (1) the government will still be required to determine the reasonableness of IR&D/B&P costs and (2) contractors are still expected to provide the government with technical information to monitor the defense technology base. DOD has already streamlined the data to be provided and is trying to eliminate the multiple technical data bases.

**Weapons Acquisition:
Implementation of the 1991 DOD Full Funding Policy**

GAO/NSIAD-92-238, Sept. 24 (15 pages).

GAO reviewed the Pentagon's implementation of a new full funding policy for programs being reviewed by the Defense Acquisition Board. Under the policy, acquisition programs identified as having higher costs than

reflected in the Future Years Defense Plan will not be given the go-ahead to the next acquisition phase until the sponsoring military service identifies suitable offsets, such as budget cuts to other programs, to cover the higher costs. This report examines all major Defense Acquisition Board decisions since the policy went into effect and discusses (1) the policy's impact and effectiveness; (2) which programs had shortfalls and the basis for estimating these shortfalls; and (3) whether offsets to these shortfalls had been identified, approved, and duly incorporated into the relevant data base.

**B-2 Bomber:
Potential Rescission of Prior Appropriations for Military
Construction**

GAO/NSIAD-92-320BR, Sept. 25 (three pages).

The Air Force's updated plans show that the B-2 bomber construction projects funded in fiscal year 1991 would not be needed before the year 2000, five years after the facilities authorized for fiscal year 1991 were originally scheduled to be completed. Since the Air Force has not begun construction of fiscal year 1991 projects and will not do so for several years, the \$21.4 million intended for facilities construction could be rescinded. GAO did not identify any potential rescissions in fiscal year 1990 appropriated funds as construction had already begun on those projects. Pentagon officials said that although the rescission was probably justified, they preferred to retain the funds to pay for cost overruns on other construction projects or to reprogram the funds for new construction.

**1993 Air Force Budget:
Potential Reductions to Research, Development, Test, and
Evaluation Programs**

GAO/NSIAD-92-319BR, Sept. 25 (nine pages).

GAO reviewed the Air Force's fiscal year 1993 Research, Development, Test, and Evaluation budget request and prior year appropriations for the F-22, F-15, and F-16 fighter programs. GAO identified \$47.2 million in potential reductions to the fiscal year 1993 budget request and \$2.1 million in potential rescissions of fiscal year 1992 funds.

**1993 Army Budget:
Potential Reductions to Operation and Maintenance Programs**

GAO/NSIAD-92-292BR, Sept. 29 (17 pages).

GAO reviewed operation and maintenance accounts in the Army's fiscal year 1993 budget request. These accounts involved funding for real property maintenance, ground operating tempo, flying hours, operation and equipment storage sites, and individual training. GAO identified a potential reduction of about \$523.1 million. In addition, GAO found that the Army has \$570 million of unneeded inventory on order at the wholesale level. Because these inventories are bought with revolving funds and not operation and maintenance funds, GAO does not include the \$570 million as a potential budget reduction. Nevertheless, the magnitude of the unneeded inventories is an indication that too much funding is made available to buy spare and repair parts.

**1993 Army Budget:
Potential Reductions in Aircraft Programs**

GAO/NSIAD-92-332BR, Sept. 29 (six pages).

GAO identified a potential reduction and rescissions totaling \$13.4 million for Army aircraft programs. This amount includes a potential reduction of \$3.5 million in the fiscal year 1993 budget request and potential rescissions of \$6.8 million in fiscal year 1992 appropriations and \$3.1 million in fiscal year 1991 appropriations. The potential rescissions are possible because (1) the Longbow program request of \$282.8 million was overstated by \$3.5 million, (2) the Defense Department did not transfer \$6.8 million of the funds appropriated for the Apache helicopter program to the Army, and (3) contracts for the Black Hawk helicopter were awarded at \$3.1 million less than expected.

**1993 Navy Budget:
Potential Reductions and Rescissions in RDT&E Programs**

GAO/NSIAD-92-322BR, Sept. 29 (16 pages).

GAO reviewed the Navy's fiscal year 1993 budget request and prior year appropriations for its research, development, test, and evaluation (RDT&E) programs. GAO identified \$176.4 million in potential reductions to the RDT&E Navy budget request for fiscal year 1993 and \$4.4 million in potential

rescissions to appropriated funds from fiscal year 1992. In addition, GAO identified potential reductions of \$22.3 million and potential recessions of \$1.2 million to the RDT&E Defense Agencies budget for fiscal year 1993 and fiscal year 1992, respectively. These findings concern the unmanned aerial vehicles joint program.

**1993 Navy Budget:
Potential Reductions in Operation and Maintenance Programs**

GAO/NSIAD-92-334BR, Sept. 30 (11 pages).

GAO reviewed the Navy's amended fiscal year 1992-93 budget request and identified \$249.9 million in reductions to the Navy's operation and maintenance budget request for fiscal year 1993. Of this amount, \$213.6 million is from the Navy's operation and reserve request and \$36.3 million is from the Navy Reserve's operation and maintenance request.

**1993 Navy Budget:
Potential Reductions in Aircraft Procurement Programs**

GAO/NSIAD-92-335BR, Sept. 30 (eight pages).

GAO reviewed the Navy's fiscal year 1993 Aircraft Procurement budget request and prior appropriations and identified \$399.8 million in potential reductions. Congress may wish to cut the fiscal year 1993 Air Force Procurement budget by \$237.8 million, the amount requested for 48 F/A-18 upgraded radars and spares. The reason is that test results on the radar's effectiveness will be unavailable until the end of fiscal year 1995. Further, Congress may want to reduce or condition the fiscal year 1993 procurement funding for the Consolidated Automated Support System by about \$162 million pending the successful resolution of all testing concerns. Additionally, Congress may wish to condition the obligation of \$247 million in fiscal year 1993 funds for the purchase of F/A-18 engines on the resolution of significant engineering concerns arising from the substantially reduced life expectancies of engine components. The Navy attributes the reduced life to defective contractor analyses.

**Navy Homeports:
Status of the Navy's New Homeport at Everett, Washington**

GAO/NSIAD-92-266, Sept. 30 (12 pages).

To achieve its goal of a 600-ship fleet, the Navy planned in the early 1980s to expand the number of homeports. Everett, Washington, was chosen as the site for one of these new homeports. The total cost to develop the Everett homeport has swollen to \$495.2 million, or nearly one-third more than the Navy's original estimate. In addition, development of the Everett homeport has slipped about six years behind schedule. In addition to comparing the Navy's initial development schedule and cost estimates with current figures, GAO (1) discusses the estimated future development costs for fiscal year 1993 and beyond from any source of funds and (2) compares the number and type of ships initially planned for the homeport with those now planned. GAO also analyzes the impact of closing the naval station at Sand Point, Washington, on the development of the Everett homeport.

Science, Space, and Technology

NASA:

Large Programs May Consume Increasing Share of Limited Future Budgets

GAO/NSIAD-92-278, Sept. 4 (20 pages).

NASA's largest programs may consume an increasing share of its limited future budgets. Additional unplanned cost growth typical of NASA research and development programs may push funding needs for these programs even further. Under this scenario, NASA would have to cut funds originally meant for other programs. NASA is now reviewing the costs of all its major programs and plans to make appropriate adjustments to ensure a balanced overall space and aeronautics program within budget realities. The results of this effort, however, may not be known until NASA submits its fiscal year 1994 budget proposal. NASA's strategic plan, prepared last year before the appointment of the current administrator, did not address the mismatch between the agency's five-year program plan and potential budget. The new administrator plans to give top priority to creating a new strategic plan. Information provided to Congress on NASA's future program cost estimates could be improved. Although program plans cover five years, NASA provides Congress with funding estimates for only one year beyond the current budget request. This time frame is too short to provide Congress with the broad view necessary to anticipate program funding needs and make forward-looking decisions.

Social Services

Poverty Trends 1980-88: Changes in Family Composition and Income Sources Among the Poor

GAO/PEMD-92-34, Sept. 10 (113 pages).

Identifying changes in the extent of poverty and those afflicted by it is crucial in assessing the need for government programs and in evaluating their targeting and effectiveness. This report analyzes changes in the size and composition of poor families in the United States during the 1980s. GAO discovered that the face of American poverty had changed significantly by 1988, afflicting many more single-parent families as well as single, able-bodied, younger adults. These changes are traceable to a major decline in the poverty rate of families headed by the elderly and to rapid population growth among single parents and single adults (not an increase in their poverty rates). Half of the 1.6 million increase in single-parent families came from the swelling ranks of never-married mothers. An upswing in single-parent families was also responsible for the dramatic rise in the poverty rate of young families with children. Although the 1980s were a decade of declining unemployment and continued economic growth, single mothers and young parents generally saw no increase in their total real income. Reduced benefits from welfare and other government social programs affected these families' incomes significantly, leading to higher poverty rates among some families. GAO summarized this report in testimony before Congress; see:

Poverty Trends, 1980-88: Changes in Family Composition and Income Sources Among the Poor, by Richard L. Linster, Director of Planning and Reporting in the Program Evaluation and Methodology Division, before the Subcommittee on Human Resources, House Committee on Ways and Means. GAO/T-PEMD-92-13, Sept. 10 (18 pages).

Social Security: Need for Better Coordination of Food Stamp Services for Social Security Clients

GAO/HRD-92-92, Sept. 25 (23 pages).

When seeking government services, the poor often confront fragmented delivery systems. Too often, those most in need have no idea what services are available to them or how to obtain them; many take advantage of only those services offered by the first agency they contact. To boost the use of

food stamps by eligible Social Security clients, Congress passed the Food Stamp Act of 1977. This legislation requires government agencies to work together to make food stamp services readily available at Social Security Administration (SSA) offices. SSA has not, however, adequately carried out its responsibilities. It has taken relatively few food stamp applications from the Social Security clients that Congress sought to help. Currently, SSA uses posters and brochures in its offices to inform the public of food stamp availability. Yet many offices do not have such displays. Moreover, this approach will not reach the millions of people who apply for benefits by telephone. In addition, the use of unnecessarily complex food stamp application forms impede the delivery of services. In GAO's view, the Department of Health and Human Services and the Department of Agriculture need to develop jointly a plan for dealing with the shortcomings in how food stamps are offered to Social Security clients. Further, the two agencies need to update Congress on their progress and any need for legislation to remove obstacles to providing quality service.

**Welfare to Work:
Implementation and Evaluation of Transitional Benefits Need HHS
Action**

GAO/HRD-92-118, Sept. 29 (52 pages).

Under the Family Support Act of 1988, families trying to work their way off of welfare can receive up to 12 months of child care and medical assistance. Insufficient data prevents GAO from fully analyzing the issue of transitional benefits, including factors affecting their use, and how long families receive such benefits. GAO concludes that evaluating transitional benefits will prove complex and challenging. Unless the Department of Health and Human Services (HHS) renews its evaluation planning and data collection efforts, HHS will probably be unable to report to Congress next year on the impact of transitional Medicaid on welfare dependency. In addition, the evaluation of transitional child care will be in jeopardy unless a strategy and schedule for completing it are developed. The number of families receiving transitional benefits grew during the first 15 months of the program. Yet many state policies, despite federal notification requirements, do not require that families be told about benefits when they become ineligible for welfare. Some state policies also prohibit families from applying for benefits retroactively within the 12-month eligibility period. Until these state policies are reviewed and brought into compliance with federal requirements, families in these states will be at

greater risk of being uninformed about and have limited access to transitional benefits.

Tax Policy and Administration

Tax Administration: IRS Should Expand Financial Disclosure Requirements

GAO/GGD-92-117, Aug. 17 (29 pages).

The Internal Revenue Service (IRS) has not complied with regulations governing financial disclosure requirements. As a result, thousands of its employees with possible conflicts of interest are not filing annual financial disclosure statements. IRS required about 650 employees to file financial disclosure statements in 1991. The agency has since expanded the filing requirements to more than 5,000 workers in grades 13 and above. Although this move should bolster detection and prevention of conflicts of interest by higher-level IRS employees, GAO is concerned that thousands of employees below grade 13—individuals with direct access to taxpayer information and who determine the amount of taxes owed and collected—are still not required to file. This situation that could erode public confidence in the integrity of the tax system. Even when financial disclosure documents were filed, some statements did not provide enough information, and IRS managers sometimes failed to act upon possible conflicts of interest.

Tax Administration: IRS' 1992 Filing Season Was Successful but Not Without Problems

GAO/GGD-92-132, Sept. 15 (18 pages).

Internal Revenue Service (IRS) indicators show that the agency did a good job processing returns at its service centers during the 1992 filing season. The Earned Income Credit, however, continued to cause problems. IRS often gave the credit incorrectly to taxpayers who did not ask for it. In addition, IRS' procedures for processing the credit placed different requirements for some taxpayers, delaying their receipt of the credit. GAO also found that IRS' effectiveness in answering tax law questions over its toll-free telephone lines and filling orders for tax materials fell during the 1992 filing season.

**Tax Administration:
Improvement in IRS' Telephone Assistor Accuracy**

GAO/GGD-92-139FS, Sept. 22 (32 pages).

During each of the last several filing seasons, the accuracy of the Internal Revenue Service's (IRS) answers to telephone inquiries from the public on tax matters has steadily increased, from 63 percent accuracy in 1989 to 88 percent in 1992. Increased management emphasis and the use of a standard reference guide seemed to be the key reasons for this improvement. However, the problems that some call sites have experienced in hiring and training staff will make it difficult for IRS to sustain these accuracy gains or to substantially improve this year's accuracy rate.

**Tax Administration:
Federal Agencies Should Report Service Payments Made to Corporations**

GAO/GGD-92-130, Sept. 22 (23 pages).

Federal agencies awarded \$68 billion for service contracts of more than \$25,000 in 1990. GAO estimates that 90 percent of this went to corporations. Because information reporting generally excludes payments to corporations, agencies did not have to inform the Internal Revenue Service (IRS) of \$61 billion in payments. Requiring federal agencies to report such payments could improve corporate tax compliance and provide IRS with an important tool to detect unreported income or unfiled tax returns. Given past problems in reporting payments made to individuals, agencies need controls to ensure that they report all required payments made to federal contractors, as well as the correct tax identification numbers.

Testimony

Tax Administration: IRS' Management of Seized Assets, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-92-65, Sept. 24 (15 pages).

In this testimony on the Internal Revenue Service's (IRS) management of assets seized from individuals and businesses, GAO concludes that there is vast room for improvement. Controls over the property, including vehicles, real estate, and personal effects, are weak and cannot protect

against theft, waste, or misuse. The practices used to dispose of seized property do not necessarily lead to the highest sale price at the lowest cost. As a result, the return is low compared to the taxes owed. Another concern is that the practices used could easily lead to disparate treatment of taxpayers.

Transportation

Aircraft Certification:

Limited Progress on Developing International Design Standards

GAO/RCED-92-179, Aug. 20 (80 pages).

During the last decade, the production and sale of commercial transport planes became increasingly international in scope. Thirty percent of the components for the Boeing 767, for example, now originate outside the United States. The Federal Aviation Administration's (FAA) certification of aircraft and coordination with foreign authorities are critical to the safe and efficient production of aircraft. This report discusses (1) the benefits of common international certification standards and practices, (2) effectiveness of efforts to produce such commonality, and (3) differences in the relationship between certification authorities and aircraft manufacturers in the United States and Europe.

Coast Guard:

Progress in the Marine Safety Network, but Many Uncertainties Remain

GAO/RCED-92-206, Aug. 28 (35 pages).

This report discusses efforts by the Coast Guard to develop a new information system for its vessel inspection and other marine safety programs. The new system, the Marine Safety Network, is meant to overcome recognized problems with the current system, such as obsolete software. GAO examines factors that might affect the system's cost and implementation schedule and reviews steps taken to meet system users' information needs and to improve program management.

Transportation Reports and Testimony:

May 1991-April 1992

GAO/RCED-92-224, Sept. 1992 (111 pages).

The U.S. transportation network, critical to both personal mobility and overall economic growth, also bolsters the nation's ability to compete in a global environment. Almost 19 cents of every U.S. consumer dollar—\$800 billion annually—is spent on transportation goods and services, everything from cars to plane tickets. The U.S. transportation system, despite being the finest in the world, faces several challenges, including nearly 50,000 transportation-related deaths each year, a deteriorating infrastructure, congestion, and harmful environmental effects. This index provides summaries, grouped chronologically under 10 subject headings, of more than 150 GAO reports and testimony on transportation topics issued between May 1991 and April 1992. Order forms are included to obtain documents that are of interest.

Veterans Affairs

Vocational Rehabilitation: Better VA Management Needed to Help Disabled Veterans Find Jobs

GAO/HRD-92-100, Sept. 4 (30 pages).

Millions of veterans have disabilities resulting from military service, and some need help in finding and keeping jobs. The Department of Veterans Affairs' (VA) rehabilitation program traditionally stressed job training rather than job placement. Congress overhauled the program in 1980 and made suitable employment for veterans the main objective. In practice, however, VA acted on this change only recently, and so far the agency has received little help from either the Labor Department or state agencies in landing jobs for veterans. Of the more than 200,000 veterans enrolled in the program between 1983 and 1991, 71 percent dropped out. The significance of this trend is unclear because VA has not collected and analyzed meaningful data. Furthermore, VA standards for measuring service to veterans do not appear to challenge VA employees to provide better service. GAO believes that benchmarking performance, rather than setting rigid standards, would allow VA managers to continually improve services to veterans and measure progress toward achieving program objectives.

VA Health Care: Verifying Veterans' Reported Income Could Generate Millions in Copayment Revenues

GAO/HRD-92-159, Sept. 15 (34 pages).

Each year, the Department of Veterans Affairs (VA) provides medical care to about one million veterans whose disabilities are unrelated to military service. Among these veterans, those classified as having "higher incomes" must copay for any treatment they receive. GAO found that VA may have incorrectly determined the copayment status of more than 100,000 of these veterans in 1990. Although tax records revealed that these veterans had incomes above the threshold levels, VA relied solely on income reported by veterans to determine their copayment status. Had VA verified those amounts with other sources, it could have billed as much as \$27 million for the health care it provided that year. VA cited data base and staffing limitations as the main barriers to using tax records. In addition, VA may have lost as much as \$120 million in copayment revenues because it could not implement an income-verification system before its tax record authorization expired in September 1992. Copayment losses in 1991 and 1992 may greatly exceed the estimated 1990 losses because of significantly lower income thresholds and higher copayment rates in those years. Despite this wasted opportunity to verify veterans' incomes, Congress should extend VA's authority to use tax records.

VA Health Care:

Use of Private Providers Should Be Better Controlled

GAO/HRD-92-109, Sept. 28 (23 pages).

The Department of Veterans Affairs (VA) continues to grapple with soaring medical costs. In fiscal year 1990, the agency spent about \$112 million for outpatient medical care purchased from private health care providers on a fee-for-service basis. GAO found that VA is not adequately controlling medical centers' purchases of private outpatient medical care for veterans. Centers may turn to private providers only if the needed care is unavailable at the VA center or private providers are less expensive due to geography. VA, however, has not issued clear guidance to medical centers on how this requirement should be implemented. As a result, the cost-effectiveness of private care has not been evaluated, and centers may be needlessly buying millions of dollars of medical care from private providers when the care could be more economically delivered in VA facilities.

**Vocational Rehabilitation:
VA Needs to Emphasize Serving Veterans With Serious Employment
Handicaps**

GAO/HRD-92-133, Sept. 28 (13 pages).

Veterans with serious employment handicaps often have a hard time obtaining and keeping suitable jobs. Yet the Department of Veterans Affairs' (VA) vocational rehabilitation program makes no special effort to help such veterans. For example, it mails them the same information package that all veterans receive and schedules appointments for veterans on a first-come, first-served basis, without considering handicap. VA's productivity standards for its employees consider only the volume of cases handled and do not take into account the special effort often required in working with veterans with serious employment handicaps. If VA focused its outreach on veterans with serious handicaps, provided priority in scheduling appointments, and recognized in its productivity standards the additional effort required to serve these veterans, the program could serve more veterans with serious employment handicaps. Fewer veterans with lower disability ratings may be served, however, if the same level of resources is maintained.

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